

## Message Text

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ACTION EB-11

INFO OCT-01 NEA-10 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOT-00 INR-10 NSAE-00 RSC-01 FAA-00 INT-08 FEA-02

DRC-01 L-03 /056 W

----- 016235

R 091509Z APR 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 0788

INFO AMEMBASSY TEHRAN

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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E. O. 11652: N/A

TAGS: ETRN, IN

SUBJECT: CIVAIR - JET FUEL

REF: (A) STATE 69890 (B) BOMBAY 0810

SUMMARY: IN CALLS ON GOI TO PRESS TWA'S CASE, WE FOUND OFFICIALS AWARE AND SYMPATHETIC. THEY ARE SEIZED WITH FUEL COST QUESTION AND ASSURE US THAT STEPS ARE UNDERWAY WITHIN GOI THAT COULD BRING RELIEF. END SUMMARY.

1. ON APRIL 9 EMBOFFS APPROACHED DIRECTOR GENERAL OF CIVIL AVIATION RAMAMRITHAM AND MINISTRY OF PETROLEUM JOINT SECRETARY VERMA ON AVIATION FUEL. DGCA WAS SYMPATHETIC TO TWA POSITION AND POINTED OUT THAT HIGH PRICE AND MAHARASHTRA TAX IMPOSE SIGNIFICANT BURDEN ON AIR-INDIA THAT CANNOT BE SHED WITHOUT GRANTING SIMILAR RELIEF TO OTHER INTERNATIONAL CARRIERS. DGCA AND DEPUTY DGCA SARKAR ALSO PRESENT, REJECTED NOTION THAT BECAUSE BOTH PETROLEUM SUPPLIER AND AIR-INDIA ARE AGENCIES OF GOI, THAT HIGH FUEL COST RESULTS IN INTRA-GOVERNMENTAL TRANSFER TO WHICH GOI IS INDIFFERENT. ON CONTRARY, SARKAR SAID,  
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PARLIAMENTARY PRESSURE IS INTENSE ON AIR-INDIA TO TURN A PROFIT

WITHOUT SUBSIDIES. DGCA SAID MATTER OF STATE TAX IN MHARASHTRA IS DIFFICULT ISSUE IN INDIAN CENTER-STATE RELATIONS THAT CENTRAL GOVERNMENT IS ACTIVELY ATTEMPTING TO RESOLVE. HE WOULD NOT BE DRAWN OUT ON HOW LONG HE EXPECTS MATTER TO DRAG ON, BUT GAVE IMPRESSION THAT CENTRAL GOVERNMENT IS DEEPLY DISSATISFIED WITH CURRENT SITUATION AND IS EXERTING HEAVY PRESSURE ON MAHARASHTRA TO REDUCE TAX TAKE. OUR QUESTION OF HIGH BASIC PRICE OF FUEL, DGCA SAID THAT MATTER IS UNDER INTENSIVE REVIEW AT THIS MOMENT AT MINISTERIAL LEVEL IN GOI.

2. VERMA AT PETROLEUM MINISTRY WAS NOT SO OVERTLY SYMPATHETIC TO CARRIERS' PLIGHT BUT ECHOED VIEW THAT MAHARASHTRA STATE TAX IS STATE-CENTER ISSUE THAT CENTER CURRENTLY BATTLING FIERCELY. HE SUGGESTED THAT EMBASSY GIVE HIM AN AIDE-MEMOIRE ON DIFFICULTY TAX GENERATES FOR US CARRIERS FOR HIS USE IN NEGOTIATIONS WITH MAHARASHTRIANS. IN RESPONSE TO QUESTION ON PROSPECTS FOR REDUCTION IN BASIC PRICE, VERMA SAID HE IS TODAY REVIEWING THAT PRICE. EXPLAINING THAT MINISTRY'S "BASIC CEILING SELLIN PRICE" HAS BEEN INCREASED ON SEVERAL OCCASIONS IN PAST TO INSURE DISINCENTIVE FOR EXCESSIVE FUEL UPLIFT IN INDIA, VERMA ADMITTED THAT MARGIN HAD BECOME A PENALTY RATHER THAN A "MARGINAL DISINCENTIVE." VERMA SAID HE HAD JUST RECEIVED NEW TEHRAN FUEL PRICE TARIFF EFFECTIVE APRIL 1 FOR WHICH HE HAD BEEN WAITING. HE SAID THAT WITH TEHRAN TARIFF IN HAND, WE WILL NOW BE ABLE TO COMPLETE HIS WORK ON NEW INDIAN FUEL PRICE SCHEDULE WHICH MAY BE READY AS EARLY AS TOMORROW, APRIL 10. VERMA CONFIRMED THAT INDIAN INTENT IS TO MAINTAIN MARGINAL DISINCENTIVE IN PRICE TO DETER EXCESSIVE UPLIFT.

3. QUESTIONED ON GOI'S RESPONSE TO IATA LETTER ON FUEL PRICES (REF. B) VERMA SAID GOI HAD NOT YET ANSWERED, SAYING THAT MATTER WAS LINKED WITH REVIEW OF INDIAN TARIFF WHICH IN TURN DEPENDED ON NEW IRANIAN PRICES.

4. OVERALL, WE THINK PRESSURE HAS MOUNTED HIGH WITHIN GOI TO DO SOMETHING ABOUT HIGH COST OF JET FUEL. VERMA WOULD NOT SAY OR HINT WHAT NEW IRANIAN TARIFF IS LIKE, SO WE CANNOT PREDICT WITH CERTAINTY THAT HE WILL BE RECOMMENDING A REDUCTION IN THE BASIC PRICE. HEAT IS ON TO DO SO, HOWEVER, AND IT WOULD BE VERY HARD FOR HIM TO RAISE PRICES ANY HIGHER. APPEARS TO US LIMITED OFFICIAL USE

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THAT GOI IS WORKING HARD TO BEAT DOWN MAHARASHTRA SALES TAX TAKE, BUT THAT ISSUE IS COMPLICATED ONE OF STATE-CENTER RELATIONS.  
SCHNEIDER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, PETROLEUM, SUPPLIES, JET FUEL, PRICES, CENTRAL GOVERNMENT, TAXES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 09 APR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**Disposition Reason:**  
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